

Instr: 200805070019053 05/07/2008  
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Tom Murphy T20080022921  
Westmoreland County RecorderP



18.50  
I hereby CERTIFY  
that this document is  
recorded in the  
RECORDER'S OFFICE  
of Westmoreland County  
Pennsylvania

Tom Murphy  
Tom Murphy - Recorder of Deeds

## NON-SURFACE DEVELOPMENT OIL & GAS LEASE

THIS LEASE, made this 10<sup>th</sup> day of March, 2008, by and between

**Peter D. Luffy, widower, of 106 Swallow Haven Lane, Latrobe, PA 15650**

hereinafter called Lessor, and and **REX ENERGY I, LLC** of 400 Southpointe Plaza One, Suite 410, Canonsburg, PA 15317, hereinafter called Lessee, do agree:

1. Lessor, for consideration of one dollar (\$1.00) in hand paid by Lessee, the receipt of which is hereby acknowledged, grants to Lessee all the oil and gas in the lands described below, with the exclusive right to explore by geophysical, seismic, and other methods, operate for, produce and market same from a well or wells on other lands; and the right to unitize Lessor's lands, or any portion, or strata, with other lands into a drilling unit of no more than six hundred forty acres. This Lease shall be for a period of 5 (Five) years, and as long thereafter as operations are being conducted on any such unit or oil or gas can be produced in paying quantities in Lessee's judgment from any such unit. This lease covers all of Lessor's land in and adjoining Section/Lot 44-06-00-0-241 Cook Township, Westmoreland County, Pennsylvania, containing 13.7 acres, more or less, further identified as Tax Map LD. No. 44-06-00-0-241, and bounded substantially, now or formerly, as follows:

North by Lenhart

East by Luther

South by Four Mile Run Rd.

West by Marks

, and being the property described in Deed Volume(s) 2264/Page(s) 212.

2. Lessor shall be paid as royalties a proportional share of one-eighth (1/8) of "Proceeds Realized" by Lessee on all the oil and gas produced and marketed from each well drilled and unitized, as the amount of the Lessor's acreage in the unit bears to total acreage in the unit, the same to be paid by the end of the next month following Lessee's receipt of payment for same, less any tax imposed by any government body, including but not limited to the severance tax. "Proceeds Realized" shall mean the price received by Lessee for oil and gas marketed and sold at the delivery point less any charges for transportation, dehydration, compression and marketing paid by Lessee to deliver the oil and gas for sale.

3. **No well shall be drilled on Lessor's property, nor shall Lessee enter upon or install any installation of any nature whatsoever on the leased property.** The within Lease being granted for the purpose of permitting Lessee to unitize the leased property with other properties, which other properties shall bear all the burden of surface development. Lessor understands and gives consent that, due to slant (directional) drilling originating from surface entry on a parcel not owned by Lessor, the wellbore may pass through or terminate below the surface of Lessor's property.

4. This lease, however, shall become null and void and all rights of either party hereunder shall cease and terminate unless, within twelve months from the date hereof, a well shall be commenced on other lands unitized with the herein described leased premises, or unless the Lessee shall thereafter pay a delay rental of Thirteen hundred and seventy and 00/100 Dollars (\$ 1370.00), payments to be made Paid in Full until the commencement of a well. A well shall be deemed commenced when preparations for drilling have been commenced. It is stipulated that this lease shall not terminate for nonpayment of delay rentals unless Lessor first gives Lessee sixty (60) days written notice by registered mail of such nonpayment, and Lessee fails to tender such payment to Lessor within said sixty (60) day period.

5. This Lease shall be binding on all heirs, successors and assigns of Lessor and Lessee. If the leased land is hereinafter owned in separate tracts, the premises, nevertheless, shall be treated as an entirety and all payments due shall be paid proportionally (on an acreage basis) to each separate owner, and if Lessor owns less than the entire fee, Lessor shall be paid only his proportional share of any payment due. Lessee may at any time assign or surrender this Lease in whole or in part.

6. No change of ownership in the leased premises or in the rentals or royalties hereunder shall be binding on Lessee until after notice to the Lessee either by delivery of notice in writing duly signed by the parties to the instrument of conveyance or assignment and delivery of such original instrument or a duly certified copy thereof to the Lessee.

7. In the event Lessor considers Lessee has not complied with its expressed or implied obligations hereunder, Lessor shall notify Lessee in writing indicating specifically what Lessee allegedly has breached. Lessee shall have 30 days after receipt of said notice to meet or commence to meet any part of the breached alleged by Lessor. Lessor shall not bring any action against Lessee until after 30 days after service of such notice on Lessee.

8. Lessor hereby warrants and agrees to defend title to the land herein described and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied or assessed on or against the said lands and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself for any payments due hereunder.

9. Addendum attached hereto and made a part hereof. X PL X

Signatures of Witnesses:

Witness:

Signatures of Lessor(s):

Peter D. Luffy

Witness:

LESSEE: **REX ENERGY I, LLC**

By: Michael S. Carlson

Its: Vice President of Operations

INDIVIDUAL ACKNOWLEDGMENT

COMMONWEALTH/STATE OF Pennsylvania )

) SS:

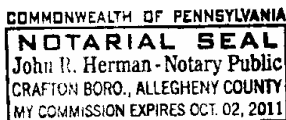
COUNTY OF Westmoreland )

On this, the 6<sup>th</sup> day of MARCH, 2008, before me John R. Herman, the undersigned officer, personally appeared PETER D. LUFFY, known to me (or satisfactorily proven) to be the person whose name(s) is/are subscribed to the within instrument, and acknowledged that he/she/they executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires: October 2, 2011

John R. Herman  
Notary Public



CORPORATE ACKNOWLEDGMENT

COMMONWEALTH OF PENNSYLVANIA )

) SS:

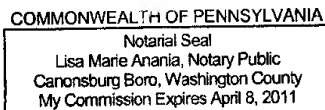
COUNTY OF Washington )

On the 23 day of April, 2008, before me, personally came Michael S. Carlson to me know, who, being by me duly sworn, did depose and say that he is the Vice President of Operations (title) of REX ENERGY I, LLC, a corporation, and that he as such Vice President Operations, being authorized to do so, executed the foregoing instrument for the purposes therein contained on behalf of the corporation.

Witness the hand and official seal of the undersigned this the day and year first in this certificate above written.

Lisa Marie Anania  
Notary Public

My Commission Expires: 4/8/2011



Member, Pennsylvania Association of Notaries

This Instrument Prepared by: **REX ENERGY I, LLC.**  
400 Southpointe Blvd., Suite 410, Canonsburg, PA, 15317

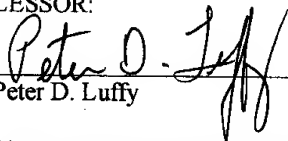
ADDENDA  
TO THAT CERTAIN OIL AND GAS LEASE BY AND BETWEEN  
REX ENERGY I, LLC; LESSEE  
AND  
PETER D. LUFFY, WIDOWER

As the Lessor, whose current address is: 156 Swallow Haven Lane, Latrobe, PA 15650.  
With the property being located at  
Sections 44-06-00-0-241 situated in Cook Township(s) located in Westmoreland County, State of  
Pennsylvania

Dated: March 6, 2008

1. Wellsites, pipelines and access roads to be in mutually approved locations, said approval not to be unreasonably withheld.
2. The Lessee shall pay market value for all damages caused by Lessee's operations to crops and timber on above said premises.
3. Lessee agrees to test Lessor's domestic water wells within 1000' of any wellhead prior to Lessee's drilling of any oil and gas wells on Lessor's or any neighboring property. If it is determined that Lessor's domestic water supply was affected by Lessee's drilling operations, Lessee agrees to take remedial measures to restore Lessor's domestic water supply in accordance with state rules and regulations governing same. Lessee agrees to supply Lessor with potable water until such time as Lessor's domestic water supply is restored.
4. The Lessee hereby agrees to indemnify and hold Lessor harmless from any and all claims, demands, actions or causes of action which may arise as a result of this Lease or any activity, use, or occupation of the leased premises by the Lessee or any person or entity with whom it has any contractual relationship or any agents, employees, representative or third parties upon the premises. Lessee further indemnifies and holds Lessor harmless from any damages, assessments, penalties, or other relief claimed by any governmental entity as the result of this lease or any activity conducted upon the premises hereunder.
5. Lessee to re-contour, seed and mulch all areas that Lessee may disturb on the above leased premises.
6. Lessee to comply with all applicable rules and regulations of the PA Department of Environmental Protection that pertain to oil and gas drilling.

LESSOR:

  
Peter D. Luffy

LESSOR:

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Signed for the purposes of identification.